

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

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FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC PRIORITY 1800

C O N F I D E N T I A L ALGIERS 0296

E.O. 11652: GDS

TAGS: ENRG, AG

SUBJ: ALGERIAN LNG CONTRACTS-DISTRIGAS

REF: STATE 020701

1. SONATRACH ATTORNIES ALSO PASSED TO EMBASSY A LETTER FROM CABOT CORPORATION OF BOSTON THREATENING DISCONTINUANCE OF INVESTMENT IN STATEN ISLAND LNG TERMINAL SIMILAR TO DEPTTEL 020701. THIS ACTION WILL ENTAIL LOSS OF ABOUT 90 MILLION DOLLARS FOR CABOT, DISTRIGAS AND EASCOGAS. CABOT'S ACTIONS MAY CAUSE SOME RIPPLES IN US/ALGERIAN RELATIONS. CABOT'S LETTER AND ACCOMPANYING MEMORANDUM VERY HARSH ON SONATRACH AND QUESTIONS ALGERIAN RELIABILITY AS AN ENERGY SOURCE.

2. EMBASSY WOULD LIKE TO NOTE THAT PRESENT RUMOR IS THAT SKIKDA LNG TRAIN I IS EXPECTED TO START OPERATION SHORTLY DURING MONTH OF FEBRUARY. SKIKDA TRAINS II AND III ARE RUNNING AT SOMETHING LIKE 110 PERCENT OF RATED CAPACITY. THUS THERE MAY BE LNG AVAILABLE FOR DESCRATES LNG CONTRACT AND EVERETT TERMINAL. SKIKDA TRAINS 1-3 BUILT BY FRENCH
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FIRM TECHNIP AND FRENCH AND ALGERIANS ARE DEBATING

RESPONSIBILITY FOR TECHNICAL PROBLEMS WITH LIQUIFICATION PLANTS WHICH HAVE CAUSED DELAYS. SKIKDA TRAIN IV, BEING BUILT BY ENGLISH SUBSIDIARY OF PRITCHARD INTERNATIONAL OF KANSAS CITY, IS BEHIND SCHEDULE AND IS NOW ESTIMATED AS GOING ON STREAM BY END OF 1975. SKIKDA TRAIN IV WAS MEANT TO SUPPLY LNG TO BEN FRANKLIN CONTRACT AND STATEN ISLAND TERMINAL, BUT THAT CONTRACT EXPIRED JANUARY 1, 1974 DUE TO FAILURE TO OBTAIN FPC APPROVAL AND PARTIES HAVE NOT BEEN ABLE TO AGREE ON A PRICE SINCE THEN.

3. DAVID ROCKEFELLER RAISED CABOT PROBLEM TODAY WITH ALGERIAN MINISTER OF INDUSTRY AND ENERGY, ABDESSELAM. ABDESSELAM SAID THEY HAD MANY EUROPEAN OFFERS TO BUY LNG AT MORE FAVORABLE PRICE THAN THAT OFFERED BY DISTRIGAS. ALGERIANS HAD HELD LNG FOR DISTRIGAS, BUT LATTER COULD NOT OBTAIN FPC APPROVAL. FPC APPROVAL FOR CONTRACT IS DISTRIGAS PROBLEM, BUT 18 MONTHS TO 2 YEAR DELAY IN FPC APPROVAL MAKES SALES OF ALGERIAN GAS TO U.S. VERY DIFFICULT. INSINUATION IS THAT IF DISTRIGAS WITHDRAWS LNG APPLICATION FROM FPC, ALGERIANS WILL BE FREE TO SELL FUTURE LNG FROM SKIKDA IV TO HIGHEST EUROPEAN BUYER.

4. EMBASSY WOULD APPRECIATE BEING KEPT INFORMED OF ACTIONS TAKEN IN THE UNITED STATES ON THIS MATTER.
PARKER

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